

HARRISON COUNTY LANDFILL COMMISSION

INDEPENDENT AUDITORS' REPORT  
BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
AND SCHEDULE OF FINDINGS

JUNE 30, 2004

## CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2
Management's Discussion and Analysis .....	3 - 6
Basic Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to Financial Statements .....	10 - 15
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting .....	16 - 17
Schedule of Findings .....	18 - 19

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HARRISON COUNTY LANDFILL COMMISSION

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Robert Smith	Chairman	Harrison County Rural
Sherman Struble	Vice-Chairman	City of Missouri Valley
Ron Holthe	Treasurer-Secretary	City of Logan
Charles Carrigan	At-Large	City of Dunlap
Michelle Rhoten	Board Member	City of Magnolia
Paul Marshall	Board Member	City of Woodbine
Carrie Kirlin	Board Member	City of Modale
Hugh Grimes, Sr.	Board Member	City of Little Sioux
Frank Briggs	Board Member	City of Mondamin
Arlene Zacharias	Board Member	City of Persia
Dan Barry	Manager	



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of the Harrison  
County Landfill Commission

We have audited the accompanying financial statements of the HARRISON COUNTY LANDFILL COMMISSION as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Harrison County Landfill Commission at June 30, 2004 and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9, during the year ended June 30, 2004, Harrison County Landfill Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2004 on our consideration of Harrison County Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

*Williams & Company P.C.*

Certified Public Accountants

Onawa, Iowa  
August 24, 2004

## HARRISON COUNTY LANDFILL COMMISSION

### Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2004

Harrison County Landfill Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities, is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Harrison County Landfill Commission's financial statements which follow.

#### **Financial Highlights**

- The Commission's operating revenues increased 2% or \$9,230, from fiscal year 2003 to fiscal year 2004. City and County assessments remained the same and tipping fees held steady.
- The Commission's operating and capital expenses decreased 13% or \$53,019, from fiscal year 2003 to fiscal year 2004, because of decreased landfill development expenses, specifically new office building construction.

#### **Using This Annual Report**

Harrison County Landfill Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises.

Management's Discussion and analysis introduces the basic financial statements and provides and analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

#### **Financial Analysis of the Commission**

##### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets for fiscal year 2004 totaled approximately \$168,065. This is the first year that net assets of the Commission have been audited. A summary of the Commission's net assets is presented below.

# HARRISON COUNTY LANDFILL COMMISSION

## Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2004

### Net Assets June 30, 2004

Current Assets .....	\$ 186,849
Restricted Investments .....	595,025
Capital Assets at Cost, Less Accumulated Depreciation .....	<u>1,178,409</u>
Total Assets .....	\$ <u>1,960,283</u>
Current Liabilities .....	\$ 287,218
Non-current Liabilities .....	<u>2,100,025</u>
Total Liabilities .....	<u>2,387,243</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt .....	( 556,591)
Restricted .....	12,159
Unrestricted .....	<u>117,472</u>
Total Net Assets .....	\$ <u>( 426,960)</u>

A portion of the Commission's net assets is restricted for closure and post-closure care and for tonnage fees due to the State of Iowa. State and Federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (556,591), e.g. land, buildings, and equipment, less the related debt portion of the net assets, are resources allocated to capital assets. The remaining net assets of \$117,472 are the unrestricted net assets that can be used to meet the Commission's obligations as they come due.

### *Statement of Revenues, Expenses, and Changes in Net Assets*

Operating revenues are received for tipping fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net assets for the year ended June 30, 2004 is presented below.

### Statement of Revenues, Expenses, and Changes in Net Assets June 30, 2004

Operating Revenue:	
County and City Assessments .....	\$ 326,814
Tipping Fees .....	374,254
Other Operating Revenue .....	<u>19,929</u>
Total Operating Revenue .....	720,997
Operating Expenses:	
Salaries .....	131,827
Employee Benefits .....	47,965
Machinery Maintenance, Labor and Parts .....	24,366
Oil and Gas .....	\$ 18,068

## HARRISON COUNTY LANDFILL COMMISSION

### Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2004

Long Range Planning and Engineering Services.....	\$ 13,538
Site Maintenance .....	5,419
Site Utilities .....	7,805
Supplies .....	1,729
Office Expenses .....	1,801
Meetings, Travel and Training .....	1,722
Legal and Accounting .....	4,035
Insurance .....	17,058
Closure and Post-Closure Care Costs .....	60,096
Recycling Expenses .....	5,247
Iowa Department of Natural Resources Tonnage Fees .....	21,665
Depreciation .....	63,513
Non-Capitalized Equipment .....	386
Water Test Samples .....	12,820
Tire and White Goods Disposal .....	11,772
Miscellaneous .....	<u>4,053</u>
Total Operating Expenses .....	<u>454,885</u>
Operating Income .....	266,112
Nonoperating Revenues (Expenses)	
Interest Income .....	24,545
Interest Expense .....	(105,717)
Net Nonoperating Revenue .....	( 81,172)
Increase in Net Assets .....	184,940
Net Assets (Deficit) Beginning of Year.....	(611,900)
Net Assets (Deficit) End of Year .....	<u>\$(426,960)</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year, with an increase in the net assets at the end of the fiscal year.

In fiscal year 2004, operating revenues increased by \$9,230 or 2% with little change from 2003. Operating expenses decreased by \$53,019 or 13%. The decrease was a result of the completion of various expenditures decreasing from the previous year. A 52.5% increase or \$15,000 expense was realized in the estimated closure and post-closure care costs for fiscal year 2004.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, and related financing and investing activities. Cash provided by operating activities includes tipping fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits and interest income.

#### **Capital Assets**

At June 30, 2004, the Commission had approximately \$1,178,409 invested in capital assets, net of accumulated depreciation of approximately \$495,358. Depreciation charges totaled \$63,513 for fiscal year 2004. More detailed information about the Commission's capital assets are presented in Note 4 to the financial statements.

## HARRISON COUNTY LANDFILL COMMISSION

### Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2004

#### **Long-Term Debt**

At June 30, 2004, the Commission had \$1,735,000 in debt outstanding, a decrease of \$220,000 from 2004. The table below summarizes outstanding debt by type.

	<u>June 30, 2004</u>
Phase I General Obligation Bond Debt.....	\$ 1,415,000
Phase II General Obligation Bond Debt .....	230,000
Office General Obligation Bond Debt .....	<u>90,000</u>
Total Long Term Debt .....	<u>\$ 1,735,000</u>

Additional information about the Commission's long-term debt is presented in Note 9 to the financial statements.

#### **Economic Factors**

Harrison County Landfill Commission continues to improve its financial position during the current fiscal year. However, the current condition of the economy in the state of Iowa continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Commission facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. Due to engineering miscalculations on estimated waste tonnage intake and compaction, the Commission realized a loss of approximately 39 years of landfill life. The loss of landfill life resulted in a large increase of closure and post-closure deposits.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

#### **Contacting the Commission's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report, or need additional information, contact the Harrison County Landfill Commission, 2812 East Hwy 30, Logan, IA 51546.

## BASIC FINANCIAL STATEMENTS

HARRISON COUNTY LANDFILL COMMISSION

Statement of Net Assets

June 30, 2004

Assets

Current Assets:

Cash and Cash Equivalents	\$ 110,115
Receivables:	
Accounts	67,753
Accrued Interest	5,430
Prepaid Insurance	3,551
Total Current Assets	<u>186,849</u>

Noncurrent Assets:

Restricted Investments (Note 5)	595,025
Capital Assets (Net of Accumulated Depreciation) (Note 4)	1,178,409
Total Noncurrent Assets	<u>1,773,434</u>
Total Assets	<u>1,960,283</u>

Liabilities

Current Liabilities:

Accounts Payable	15,611
Salaries and Benefits Payable	6,877
Other Accrued Liabilities	8,178
Compensated Absences	20,464
Due To Other Governments	6,088
Current Portion of General Obligation Bonds Payable (Note 9)	230,000
Total Current Liabilities	<u>287,218</u>

Noncurrent Liabilities:

General Obligation Bonds Payable (Note 9)	1,505,000
Closure and Post Closure Care (Note 5)	595,025
Total Noncurrent Liabilities	<u>2,100,025</u>
Total Liabilities	<u>2,387,243</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	(556,591)
Restricted For:	
Tonnage Fees Retained	12,159
Unrestricted	117,472
Total Net Assets (Deficit)	<u>\$ (426,960)</u>

HARRISON COUNTY LANDFILL COMMISSION

Statement of Revenues, Expenses and

Changes in Net Assets

For the Year Ended June 30, 2004

Operating Revenue:

County and City Assessments	\$ 326,814
Tipping Fees	374,254
Miscellaneous	<u>19,929</u>
Total Operating Revenues	<u>720,997</u>

Operating Expenses:

Salaries	131,827
Employee Benefits	47,965
Machinery Maintenance, Labor and Parts	24,366
Oil and Gas	18,068
Long Range Planning and Engineering Services	13,538
Site Maintenance	5,419
Site Utilities	7,805
Supplies	1,729
Office Expenses	1,801
Meetings, Travel, Training	1,722
Legal and Accounting	4,035
Insurance	17,058
Closure and Postclosure Care Costs	60,096
Recycling Expenses	5,247
Iowa Department of Natural Resources Tonnage Fees	21,665
Depreciation	63,513
Non-Capitalized Equipment	386
Water Test Samples	12,820
Tire & White Goods Disposal	11,772
Miscellaneous	<u>4,053</u>
Total Operating Expenses	<u>454,885</u>

Operating Income	266,112
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Nonoperating Revenues (Expenses):

Interest Income	24,545
Interest Expense	<u>(105,717)</u>
Net Nonoperating Revenues	<u>(81,172)</u>

Change in Net Assets	184,940
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Net Assets (Deficit) at Beginning of Year	<u>(611,900)</u>
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Net Assets (Deficit) at End of Year	<u>\$ (426,960)</u>
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See Accompanying Notes to Financial Statements

HARRISON COUNTY LANDFILL COMMISSION

Statement of Cash Flows

For the Year Ended June 30, 2004

Cash Flows from Operating Activities:

Cash Received from Tipping Fees	\$ 375,252
Cash Received from Assessments	328,737
Cash Paid to Suppliers for Goods and Services	(134,239)
Cash Paid to Employees for Services	(175,742)
Net Cash Provided by Operating Activities	<u>394,008</u>

Cash Flows From Capital and Related Financing Activities:

Principal Paid on Bonds Payable	(220,000)
Interest Paid on Bonds Payable	(106,533)
Principal Paid on Notes Payable	(71,673)
Cash Paid for Purchase of Capital Assets	(40,136)
Net Cash (Used) by Capital and Related Financing Activities	<u>(438,342)</u>

Cash Flows From Investing Activities:

Cash Received From Interest Income	25,003
Cash Paid for Purchase of Certificate of Deposit	(211,864)
Proceeds From Redemption of Certificate of Deposit	198,666
Net Cash Provided by Investing Activities	<u>11,805</u>

Net Decrease in Cash and Cash Equivalents (32,529)

Cash and Cash Equivalents Beginning of Year 142,644

Cash and Cash Equivalents End of Year 110,115

Reconciliation of Operating Income To Net Cash

Provided By Operating Activities:

Operating Income 266,112

Reconciliation of Operating Income To Net Cash

Provided By Operating Activities:

Depreciation 63,513

Closure and Post-Closure Costs 60,096

Changes in Assets and Liabilities:

(Increase) in Accounts Receivable (6,079)

(Increase) in Prepaid Insurance (475)

Increase in Accounts Payable 6,588

Increase in Salaries and Benefits Payable 2,283

(Decrease) in Other Accrued Liabilities (601)

Increase in Compensated Absences 1,768

Increase in Due to Other Governments 803

Net Cash Provided by Operating Activities \$ 394,008

Supplemental Disclosures

Operating and Investing Activities:

Reinvestment of interest on investments for the year ended June 30, 2004 was \$21,855.

See Accompanying Notes to Financial Statements

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2004

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Harrison County Landfill Commission is a public commission governed under the joint form of municipal government authorized by Chapter 28E of the Code of Iowa; a political subdivision of the State of Iowa. As such, the commission is exempt from federal and state income taxes. The commission is not required to adopt a legal budget. The purpose of the commission is to provide sanitary disposal facilities for Harrison County, Iowa, and the municipalities therein.

The Commission is composed of one representative from each of the ten member cities and one representative from Harrison County. The member cities are: Missouri Valley, Logan, Dunlap, Magnolia, Woodbine, Modale, Little Sioux, Mondamin, Pisgah, and Persia. Each member shall be entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

- A) Reporting Entity – For financial reporting purposes, Harrison County Landfill Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. Harrison County Landfill Commission has no component units which meet the Governmental Accounting Standards Board Criteria.
- B) Basis of Presentation - The accounts of Harrison County Landfill Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
- C) Measurement Focus and Basis of Accounting – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2004

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Cont.

- D) Assets, Liabilities and Net Investments – The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposit totaling \$595,025.

Restricted Assets – Funds set aside for payment of closure and post closure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Landfill	\$ 25,000
Buildings and Improvements	10,000
Equipment and Vehicles	500

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Landfill	60
Buildings	40-50
Buildings Improvements	20-50
Equipment and Vehicles	5-20

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2004.

### Note 2 - CASH AND INVESTMENTS

The Commission's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No.3.

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2004

### Note 3 – PENSION & RETIREMENT BENEFITS

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$7,305, \$6,548, and \$7,340, respectively, equal to the required contribution for each year.

### Note 4 – CAPITAL ASSETS

	Balance Beginning of Year (as restated, Note 8)	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Being Depreciated:				
Landfill	\$ 970,000			\$ 970,000
Buildings	100,000	\$ 23,904		123,904
Machinery and Equipment	563,631	16,232		579,863
Total Capital Assets Being Depreciated	1,633,631	40,136	-	1,673,767
Less Accumulated Depreciation for:				
Landfill	164,686	16,469		181,155
Buildings	4,000	2,803		6,803
Machinery and Equipment	263,159	44,241		307,400
Total Accumulated Depreciation	431,845	63,513	-	495,358
Total Capital Assets Being Depreciated, Net	\$ 1,201,786	\$ (23,377)	-	\$ 1,178,409

### Note 5 - CLOSURE AND POSTCLOSURE CARE COSTS

To comply with Federal and State regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2004

### Note 5 - CLOSURE AND POSTCLOSURE CARE COSTS (Cont.)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Harrison County Landfill Commission have been estimated at \$884,095 for closure and \$1,607,469 for postclosure, for a total of \$2,491,564 as of June 30, 2004, and the portion of the liability that has been recognized is \$595,025. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 49 years and the capacity used at June 30, 2004 is 17%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and at June 30, 2004, assets of \$595,025 are restricted for these purposes, of which \$486,628 is for closure and \$108,397 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

### Note 6 – SOLID WASTE TONNAGE FEES RETAINED

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2004, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$12,159.

### Note 7 - RISK MANAGEMENT

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2003

### Note 7 - RISK MANAGEMENT (Cont.)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the year ended June 30, 2004 was \$10,050.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public official's liability risk up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks including Automobile physical damage are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event of casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the Commission's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# HARRISON COUNTY LANDFILL COMMISSION

## Notes to Financial Statements

June 30, 2002

### Note 8 – ACCOUNTING CHANGE

For the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

The entity is now presented as an enterprise fund and not a governmental fund. The change is due to the ability of the Commission to fund operations of the entity solely from the revenue generated from the activity of the landfill.

The fixed assets added included \$1,140,985 from prior years and \$37,424 in the current year, net of depreciation. Netting the fixed assets of \$1,178,409 with the General Obligation Bond debt of \$1,735,000 results in a deficit of \$556,591 of net assets.

### Note 9 – GENERAL LONG-TERM DEBT

The Commission has an agreement to pay Harrison County \$2,265,000 for General Obligation Bonds issued during the year ended June 30, 1997. The bonds are due June 2012 and bear interest at 5.25% to 5.9%. The balance at June 30, 2004 was \$1,415,000.

General Obligation bonds were issued June 1, 1999 by Harrison County in the amount of \$500,000, which the Commission has agreed to pay Harrison County. The bonds are due June 2007 and bear interest at 4.4% to 4.55%. The balance at June 30, 2004 was \$230,000.

General Obligation bonds were issued May 1, 2002 by Harrison County in the amount of \$100,000, which the Commission has agreed to pay Harrison County. The bonds are due June 2010 and bear interest at 3.6% to 5.1%. The balance at June 30, 2004 was \$90,000.

The following are the principal and interest due on the above bonds through maturity.

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 230,000	\$ 94,568	\$ 324,568
2006	240,000	83,155	323,155
2007	255,000	70,990	325,990
2008	180,000	57,835	237,835
2009	190,000	47,855	237,855
2010	200,000	37,115	237,115
2011	215,000	25,605	240,605
2012	<u>225,000</u>	<u>13,155</u>	<u>238,155</u>
	\$ <u>1,735,000</u>	\$ <u>430,278</u>	\$ <u>2,165,278</u>

### Note 10 – LOCAL GOVERNMENT GUARANTEE

State and Federal laws and regulations require the Commission to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and postclosure costs to the Commission have been estimated at \$884,095 and \$1,607,469, respectively, as of March 11, 2003. The Commission has begun to accumulate resources to fund these closure costs and at June 30, 2004, \$595,025 are held for these purposes.

The Commission participates in an agreement with the Harrison County Board of Supervisors. The County has provided a Local Government Guarantee for the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation equals \$2,491,564.

Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of the Harrison  
County Landfill Commission

We have audited the financial statements of the Harrison County Landfill Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated August 24, 2004, which was qualified because of the omission of the general fixed asset account group. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Harrison County Landfill Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Harrison County Landfill Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County Landfill Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Harrison County Landfill Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item (A) in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item (A) is a material weakness.

This report, a public record by law, is intended solely for the information of and use of the Harrison County Landfill Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Williams & Company P.C.*

Certified Public Accountants

Onawa, Iowa  
August 24, 2004

### Schedule of Findings

# HARRISON COUNTY LANDFILL COMMISSION

## Schedule of Findings

June 30, 2004

### Findings related to the Financial Statements:

#### INSTANCES OF NON-COMPLIANCE:

No Matters were noted.

#### REPORTABLE CONDITIONS:

- (A) Segregation of Duties – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. One person has control over each of the following areas for the Commission:

- (1) Accounting System – record keeping for revenues and expenses, and related reporting.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis.

Conclusion – Response accepted.

### Other Findings Related to Required Statutory Reporting:

- (A) Official Depositories – A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (B) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (C) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (D) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (E) Deposits and Investments – The Commission has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- (F) Solid Waste Fees Retainage – During the year ended June 30, 2003, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (G) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

HARRISON COUNTY LANDFILL COMMISSION

Schedule of Findings

June 30, 2003

Other Findings Related to Statutory Reporting: Cont.

	<u>Closure</u>	<u>Postclosure</u>
Total estimated costs for closure and postclosure care	\$ 884,095	\$ 1,607,469
Less: Balance of funds held in the local dedicated fund at June 30, 2003	(468,132)	( 66,797)
	415,963	1,540,672
Divided by the number of years remaining in the pay-in period	÷ 49	÷ 49
Required payment into the local dedicated fund for the year ended June 30, 2004	8,489	31,442
Balance of funds held in the local dedicated fund at June 30, 2003	<u>468,132</u>	<u>66,797</u>
Required balance of funds held in the local dedicated fund at June 30, 2004	<u>476,621</u>	<u>98,239</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2004	\$ <u>486,628</u>	\$ <u>108,397</u>